



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 25, 2007

S. 980

Ryan Haight Online Pharmacy Consumer Protection Act of 2007

As ordered reported by the Senate Committee on the Judiciary on September 27, 2007

SUMMARY

S. 980 would require businesses that distribute controlled substances using the Internet to register with the Drug Enforcement Administration (DEA). CBO estimates that implementing S. 980 would have no significant net cost to the federal government. Enacting the bill could affect direct spending and revenues, but CBO estimates that any net effects would not be significant.

S. 980 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt certain state regulations governing controlled substances that are manufactured, distributed, or dispensed via the Internet. CBO estimates, however, that states would incur few, if any, costs as a result of that preemption, and therefore the costs to comply with the mandate would be well below the threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation).

The registration and reporting requirements and the requirement of a valid prescription for Internet distribution of controlled substances constitute private-sector mandates as defined in UMRA. CBO estimates that the direct costs of those mandates would not exceed the threshold established in UMRA (\$131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Spending Subject to Appropriation

S. 980 would establish new crimes and increase penalties for activities relating to illegal use of controlled substances. Because the bill would establish new offenses, the government would be able to pursue cases that it otherwise would not be able to prosecute. We expect that S. 980 would apply to a relatively small number of offenders, however, so any increase

in costs for law enforcement, court proceedings, or prison operations would not be significant. Any such costs would be subject to the availability of appropriated funds.

Direct Spending and Revenues

S. 980 would require businesses that distribute controlled substances using the Internet to register with the DEA. The DEA would charge a registration fee of \$551 for a three-year period. Based on information from the DEA about the likely number of new registrants, CBO estimates that the agency would collect no more than a few million dollars each year. The DEA would spend those fees without further appropriation, mostly in the same year, to conduct inspections and carry out administrative activities related to the new registrants. Thus, CBO estimates that S. 980 would have no significant net effect on DEA spending.

Because those prosecuted and convicted under S. 980 could be subject to criminal fines, the federal government might collect additional fines if the legislation is enacted. Criminal fines are recorded as revenues, then deposited in the Crime Victims Fund, and later spent. CBO expects that any additional revenues and direct spending would not be significant because of the small number of cases likely to be affected.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 980 contains an intergovernmental mandate as defined in UMRA because it would preempt certain state regulations of controlled substances that are manufactured, distributed, or dispensed via the Internet. Under current law, states license pharmacies and doctors to dispense controlled substances within each state. This bill would prohibit the sale of controlled substances that are sold over the Internet without a prescription and would require doctors to have at least one in-person consultation with patients for whom they prescribe controlled medications. Currently, all states allow medications to be purchased via the Internet, but some states do not specifically require in-person consultations for prescriptions. Enacting this provision would preempt state authority. CBO estimates, however, that states would incur few, if any, costs as a result of that preemption, and therefore the costs to comply with the mandate would be well below the threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The registration and reporting requirements and the requirement to have a valid prescription for distributing controlled substances via the Internet constitute private-sector mandates as defined in UMRA. CBO estimates that the direct costs of those mandates would not exceed the threshold established in UMRA (\$131 million in 2007, adjusted annually for inflation).

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